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Reliable information versus faith

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monious relations than had previously existed between the borrower and the bond house.

Furnishing cold, lifeless figures is one thing. Finding out what they mean and telling the client or someone whom the client elects is something else. Almost anyone can operate a calculating machine. It takes thought to interpret figures. But accountancy contemplates that those who practice it will be capable of giving, and willing to give, thought to clients' affairs.

Reliable Information Versus Faith

BANKERS by and large ten years ago would probably have told anyone who asked, that bank credit was based largely on character. Some of them, if they had admitted the truth, would have confessed that many bank loans were made and denied on "hunches." If the complete history of bank credit granting could be accurately written, it would probably prove conclusively that many a banker has been a poor judge of character. Some of them would be willing to admit that the remark ascribed to the late Mr. J. P. Morgan, about preferring to loan a million dollars, without collateral, to an honest man, rather than ten thousand, on gilt-edged bonds, to a dishonest one, has been considerably overworked.

There are still many bankers who loan on what they regard as intimate knowledge of a borrower's affairs gained through long association with him. There will always, in all probability, be cases of this kind. Reputation and standing in the community are enough foundation for some bankers to establish a liberal line of credit and loan on it to the limit. Character, confidence, capacity, etc., as the basis for credit, lend themselves admirably to alliterative speechmaking and inspirational essays on sound credit granting.

The banks in the larger cities, and particularly New York, have discarded during late years the romantic philosophy of bygone days, and have taken to requiring certified financial statements with a careful checking of various aspects of the credit-seeker's condition and future prospects. A great deal of pioneer and constructive effort in this direction has been put forth by the Robert Morris Associates, an organization of bank credit men. The future holds great promise of improvement as a result of the work already done, to say nothing of that in contemplation. Slowly but surely banks in smaller cities and towns will be bound to see that what is good for the big city bank is good for them.

A well-known concern of many years' standing, selling an article of the semi-luxury type, found itself toward the end of the year nineteen twenty-one in a condition where money was tight. Lines of credit with four banks in the home-town, a city of some one hundred and sixty thousand inhabitants, had been used to the limit, and even stretched some. The bankers were somewhat apprehensive as to their loans, and were demanding that they be reduced.

New officers of the corporation took the situation in hand and developed a plan for relieving the pressure. The scheme assumed the form of going to banks in various cities and towns throughout New England, New York, and New Jersey, borrowing amounts ranging from five to fifteen thousand dollars and opening accounts with the understanding that a branch store was to be established in each place. This plausible story was accepted and the proposed establishment welcomed as a local enterprise, since the concern had a good reputation developed through years of dealing with the public, and was well known through its trade name.

By the end of nineteen twenty-one loans with twenty-three banks outside of the home-town had been successfully negotiated. From January to September of nineteen twenty-two relations were opened and amounts borrowed from sixty-eight new banks, while six of the banks on the list January first, made additional loans. The borrowings during this period amounted to $650,000.

Here is a record of connections made with ninety-one banks in less than a year. They were mostly banks in second-class cities. Only two New York City banks are included. One was in, so to speak, for ten thousand dollars only four days. The other, which had loaned twenty-five thousand dollars, got in and out before the crash came.

When the receiver was appointed October first, the indebtedness to seventy-three banks, well spread over seven eastern states, totaled $670,000. The average, exclusive of the home-town banks, was about $9,000. Of the latter, one had succeeded in getting out altogether. The other three had received in the aggregate a reduction of about forty per cent. of their loans.

This elaborate scheme of futile financing at the expense of the banks was accomplished on character and confidence, and without a sign of financial statement, certified or otherwise. It is inconceivable that it could have occurred had the banks in question exercised any kind of precaution. No elaborate department for checking credits was needed. So simple a device as a certified statement with appropriate schedules or details would have saved the banks collectively many hundreds of thousands of dollars.

Is it any wonder that a shrewd banker like Mr. Francis H. Sisson, Vice-President, Guaranty Trust Company of New York, was moved recently to remark, "The best method of ascertaining the financial position of an individual or a concern is to analyze the balance sheets. For current use a statement should be not more than six months old and most banks will ask that it be audited by a certified public accountant who understands such work."

A Year of Thirteen Months

ONE sees frequently nowadays reference to the agitation in favor of changing the calendar so as to provide for a division of the year into thirteen equal months instead of the twelve unequal months by which our time is measured. A recent editorial in one of the leading daily papers credited accountants with being keenly in favor of the change. The editorial failed, however, to point out the basis for such preference.

There are always persons who are keen for change. Many individuals would not be deterred by a suggestion that they revise the tariff. Any number might be found who would be willing to frame a new federal tax law. The person would indeed be brave who would attempt to change the calendar without long and careful consideration.

Those progressives who are keen for change point out the benefits which would be derived from having months of equal duration. Mr. Moses B. Cotsworth, in a pamphlet issued by The Pan American Union, entitled "The Evolution of Calendars and How to Improve Them," has the following to say on the subject: